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NATIONAL INTELLIGENCE ESTIMATE

NUMBER 82-66

Prospects for Stability in Guatemala

Submitted by

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Concurred in by the

UNITED STATES INTELLIGENCE BOARD

As indicated overleaf

24 JUNE 1966

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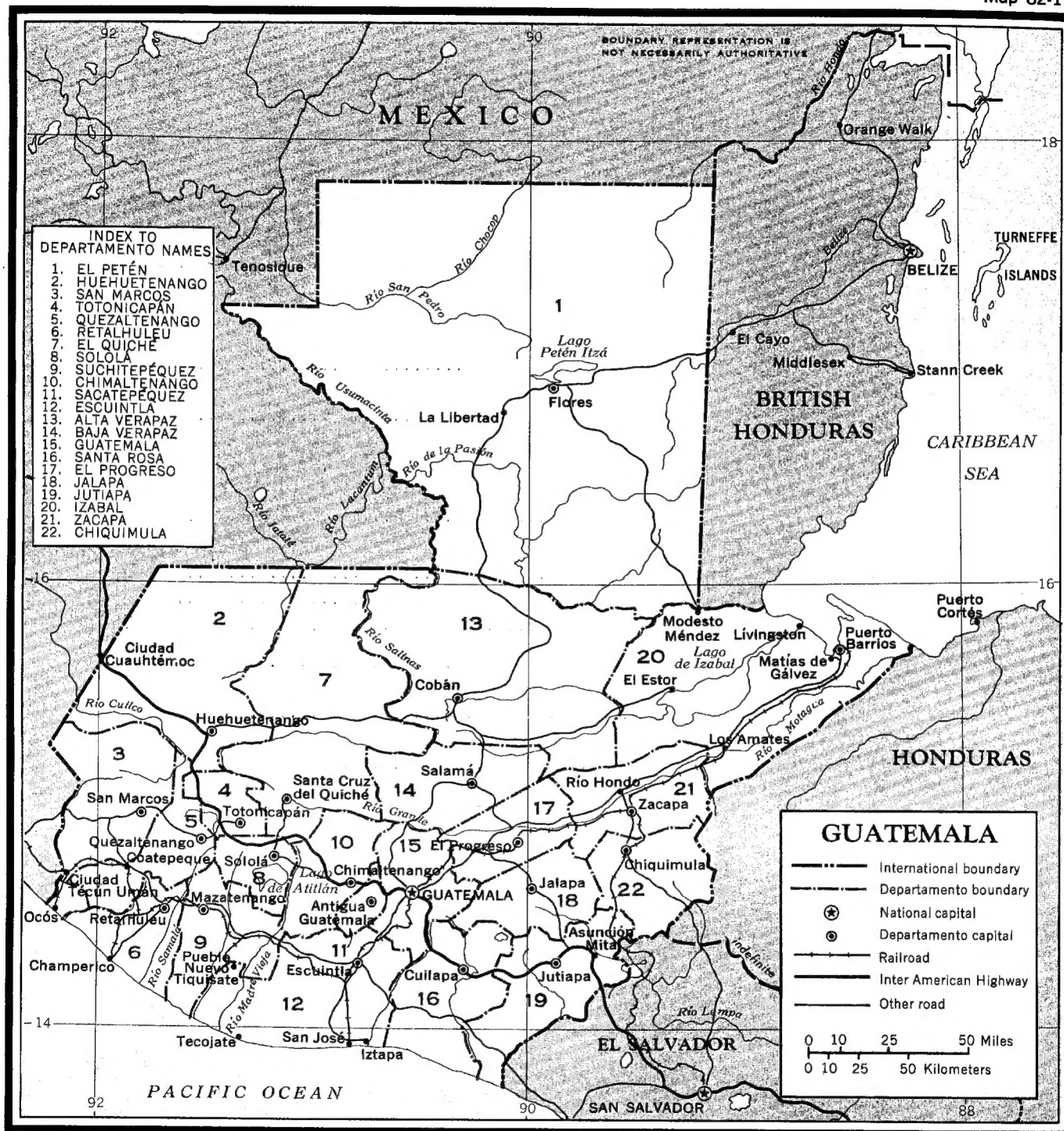
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PROSPECTS FOR STABILITY IN GUATEMALA

THE PROBLEM

To estimate the situation in Guatemala and the prospects for stability over the next year or two.

CONCLUSIONS

A. The staying power of the new, moderate-left government of Méndez will depend primarily on its relationship with the Guatemalan military. The military leaders, recalling the Communist surge to power in the early 1950s, may tend to overreact to any administration appointments or policy moves which they regard as favorable to the far left. Méndez, a proud and somewhat sensitive man, is likely to become restive over such circumscription of his powers.

B. In our view, his chances of maintaining himself in power through 1966 are good. During this period he will have the opportunity to improve his ties with military leaders and the economic elite, but probably this would require the sacrifice of some of the reform measures he favors. The Communist guerrilla bands, although not capable of taking power, are strong enough to carry out terrorist campaigns that could keep the government under heavy pressure from the military. These campaigns might be used to justify military intervention if the right and the military leadership became dissatisfied with Méndez' conduct of his administration.

C. In view of the economic, social and political problems which will confront Méndez beyond 1966, we are not confident that he will survive in office through the next two years. His administration's chances for accomplishing much, either in reform or in significant economic growth and development, will depend heavily upon whether it accepts substantial outside assistance—with its attendant obligations—and uses it effectively.

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DISCUSSION

I. BACKGROUND

1. Guatemala has had little experience with representative government, and the military establishment continues to be the most important political factor. Until World War II, the country was little affected by the political and social currents of the twentieth century. The reform-minded government which came to power in 1944, after a long period of dictatorial rule, undertook a far-reaching program of change aimed at eradicating the remnants of the feudal past. But the Guatemalan Communists gained strong influence in the Arévalo administration (1945-1951) and, under President Arbenz (1951-1954), they became the controlling force in the government.

2. During these years the political predominance of large landowners and merchants, in alliance with the military, was undercut, but their economic power was not much reduced. Though the Communists had control of organized labor, their efforts to build strength throughout the countryside were not successful. In 1954 when anti-Communist Guatemalans launched an invasion from neighboring Honduras, neither peasants nor workers showed much inclination to fight for the Arbenz regime. The military chiefs refused to commit troops against the invaders and Arbenz was quickly deposed. The leader of the victors, Col. Carlos Castillo Armas, proceeded to conduct a purge of the Communists and their associates in which the country's labor and small-landowner organizations were almost completely destroyed. Thus the way was opened for the right to regain its former political predominance; it has not done so largely because of personal rivalries among rightist leaders, and the failure of any rightist leader to develop a popular and effective program.

3. The military establishment, however, has clearly indicated that it will not permit a recurrence of the 1944-1954 pattern of Communist infiltration. In March 1963, the Minister of National Defense, Col. Enrique Peralta, led a coup which removed President Ydígoras for his equivocal handling of former President Arévalo's candidacy in the scheduled 1963 elections. The military leaders made clear their intention of retaining direct control of the caretaker government by decreeing that the Minister of National Defense would also serve as Chief of Government.

4. Guatemala remains underdeveloped. Although new exports have been developed, including some manufactured products for the Central American Common Market, the economy remains vulnerable to downswings in world commodity prices for coffee and cotton, its principal exports. The reaction to the Arévalo-Arbenz period has been characterized by a resistance to change that has impeded movement toward a more modern society. About half the population, which at present totals some 4,500,000, continues to follow tradi-

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tional Indian ways in largely self-contained communities that participate only marginally, if at all, in national economic and political life.¹

II. THE PRESENT SITUATION

A. Political Forces

The Election of March 1966

5. Guatemalan political parties are predominantly personalistic, and political change has been more often effected by force than by ballots. Since 1951 no elected president has completed his term of office. Against such a political past, the probity with which the election of 6 March was conducted and the lack of violence during and after the balloting were unprecedented and unexpected. The Peralta administration apparently believed that its candidate could win in a free election and when the opposition Revolutionary Party (PR) came out on top, Peralta made good on his commitment to respect the results. Although the PR candidate, Julio César Méndez Montenegro, did not win a majority of the popular vote, his party secured the congressional majority (30 of 55 seats), which subsequently confirmed his plurality.² Since the election of 6 March, the recurrent efforts of anti-PR forces to secure military support for a coup have been nullified by Peralta's control of the military establishment.

The New Administration

6. The PR, formed in 1957, represents a revival of the liberal, non-Communist tradition of the 1944 revolutionary movement. Its most influential following

¹ These Guatemalans are called *Indios* and tend to be predominantly Indian in ethnic origin. The *Ladinos* may be pure-blooded Indians, a mixture of white and Indian (*mestizo*) or white. The *Indio* becomes a *Ladino* when he abandons the traditional values and way of life of his Indian society for the Guatemalan version of contemporary society. See Map 82-2 for the location of the predominantly *Ladino* and *Indio* areas.

² When no candidate for the presidency receives a majority, the Congress must choose between the two candidates receiving the most votes. See Figure 1, "Results of the Election of March 1966," for the totals each party received.

FIGURE 1

RESULTS OF THE ELECTION OF MARCH 1966

PARTY	PRESIDENTIAL CANDIDATE	VOTES RECEIVED	PERCENTAGE	CONGRESSMEN ELECTED
Revolutionary Party (PR)	Julio César Méndez Montenegro	201,077	44	30
Democratic Institu- tional Party (PID)	Juan de Dios Aguilar de León	146,085	32	20 *
National Liberation Movement (MLN)	Miguel Angel Pon- ciano Samayoa	110,145	24	5

* Includes three members of the Guatemalan Social Party (PSG) who were included on the PID ticket.

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is largely drawn from moderate leftist elements of urban labor, particularly white collar workers, and from intellectual, professional, and other groups of the country's slowly emerging middle sector. Lower class rural and urban *Ladinos* also contributed heavily to the PR victory. The PR has expelled most of its extremist elements, some of whom were Communists, and has moved toward the center of Guatemalan politics. The party platform advocates agrarian and other socio-economic and political changes by constitutional means. But the PR leaders, although they have indicated priorities for action, beginning with rural electrification and road building, have not yet put forward specific measures.

7. Méndez had not participated actively in Guatemalan politics from 1949, when he broke with the Arévalo administration, until late 1965. At that time he accepted the PR nomination after the death of his brother Mario, the party's founder, dominant leader, and presidential candidate. Julio César's selection was in part an effort to exploit both his prestige as a professor and dean of the Faculty of Law at San Carlos University and the emotion aroused by Mario's sudden death. It also reflected the lack of other appealing candidates in the PR.

8. The President-Elect, whose inauguration is scheduled for 1 July, will have the initial advantage of assuming office with few political enemies. He is popular with Guatemala's intellectual and professional groups, including the university students. However, although the PR favors private enterprise it has few supporters among the country's economic elite. The party is demonstrably anti-Communist but its leaders' participation in the 1944 revolutionary movement continues to be cited by the far right as evidence that a PR administration will permit a Communist resurgence. Such allegations are bolstered by the activities of minority elements in the PR, who are considerably more radical than the party leadership. Finally, the PR has relatively little support among influential military leaders—the group that, in the past, has been able to change Guatemalan governments virtually at will.

9. Méndez himself has had little experience at the upper levels of Guatemalan politics and even less in working with the military establishment. He may also have some difficulty in working with the new Congress, particularly in securing approval for any far-reaching policy initiatives. Even though he begins with a majority in the Congress, his party is not entirely united, and he will need to make effective use of patronage and pressure. Thus far, he has shown good judgment in accepting advice from other party leaders.

10. *The Role of the Military.*³ Like their predecessors the present military leaders are determined that a Communist resurgence shall not occur. At the same time, despite their misgivings, they appear willing to give the new government a chance to prove itself. For his part, Méndez has used his brother, who is director of the military hospital, to convey personal reassurances to key military leaders. The PR took one step toward cooperation with the military

³ The Guatemalan Armed Forces include about 9,500 men in uniform, of whom fewer than 250 serve in the Navy and Air Force.

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in early May, when the PR majority in the new Congress collaborated with the military government in the imposition of a state of siege to combat a renewal of Communist terrorism.

Opposition Parties

11. The National Liberation Movement (MLN) is the politically organized die-hard rightist opposition to the new administration. It was formed by Mario Sandoval Alarcón, a close collaborator of Castillo Armas, after the latter's assassination in 1957. The MLN continues to be dominated by Sandoval's personal ambition for power and his deep-seated distrust of the political left and fear of a Communist resurgence. The party cooperated with Peralta in preparing for the election but refused to support a coalition candidate. When the MLN ran its own ticket, splitting the right, its presidential candidate finished last and the party elected only five deputies. At present the MLN is a declining force, a fact which is reflected in the formation of several rightist terrorist groups.

12. The Democratic Institutional Party, another conservative (legally inscribed) group, was set up in 1964 to provide a vehicle for presenting the Peralta administration's coalition candidate. During the initial sessions of the new Congress the 20 PID deputies have cooperated closely with the PR majority in facilitating the change of administrations, organizing the new Congress and reacting to Communist terrorism.

13. There are several other opposition parties that are not registered. The Democratic Revolutionary Unity Party (URD) is the personal vehicle of Francisco Villagrán Kramer, an inordinately ambitious and opportunistic politician now in exile. Its membership includes pro-Arévalo groups and individuals expelled from the PR. Villagrán Kramer has run the scale from close ties with Communists to protestations that the URD is a member of the non-Communist, democratic left. The Guatemalan Christian Democratic Party (DCG) is strongly anti-Communist and anti-military, but is weak and in disarray. Its leadership has been taken over by young liberals who advocate radical solutions to the country's socio-economic problems. Both the URD and the DCG are hopeful of inheriting the leadership of the left from a PR that cannot make good on its reform platform.

The Communists

14. The Guatemalan Communist movement is split into groups which sometimes cooperate but more frequently contend for primacy. The largest is the orthodox Communist organization, called the Guatemalan Labor Party (PGT). It leans to Moscow, rather than Peking or Havana, operates underground, and has an estimated 1,200 members and some 3,000-4,000 other supporters. It has been weakened by internal strife and by the Peralta government's capture of several of its leaders. The PGT has had some success in infiltrating the Association of University Students, but its influence in organized labor has been sharply

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curtailed for more than a decade. At present, only one relatively weak federation is controlled by the PGT.

15. The PGT's chief rival on the extreme left is the 13 November Revolutionary Movement (MR-13), a guerrilla resistance movement organized in 1960 by Marco Antonio Yon Sosa and other renegade army officers. Yon Sosa sought and received Cuban support, and thereby acquired a communistic coloration. The PGT also gave him some support, in an effort to gain control of MR-13, but Yon Sosa refused to accept PGT direction and broke with the party.

16. Early in 1965 Luis Turcios Lima, a co-founder of MR-13, broke with Yon Sosa and led his personal following out of MR-13 into association with the PGT as the Rebel Armed Forces (FAR), the PGT's paramilitary arm. At about the same time and in accordance with the resolution of the Havana Conference of Latin American Communist Parties, held in 1964, Cuban aid to the MR-13 was transferred to the PGT. In January 1966 Turcios led the Guatemalan delegation to the Tri-Continental Conference in Havana, at which the uninvited MR-13 was condemned as "Trotskyite." Yon Sosa, for his part, has adopted a "Chinese" line in opposition to the PGT.

17. Both guerrilla groups have continued to carry out sporadic attacks on official installations and pro-government individuals in the isolated Zacapa-Lake Izabal area in eastern Guatemala. In late 1965, members of both bands also carried out kidnappings in the capital which provided substantial amounts of ransom money and seriously threatened the Peralta government's commitment to return to constitutionalism. During the first four months of 1966, however, such activities were largely suspended; the leaders of the extreme left evidently were convinced that the PR would be defrauded in the March election and that its members would take to the streets against the government. When this failed to occur, the Communists reverted to terrorist tactics. In May they kidnaped three high government officials in retaliation for the disappearance of some 28 PGT members, of whom nearly half have almost certainly been executed. An armed attack destroyed a military patrol on the principal rural highway.

18. Neither the FAR nor the MR-13 has the capability to seize power by force. Both groups are small; neither has more than 200 members. They have managed to survive by following hit-and-run tactics and by not alienating the peasants in the countryside. Thus far the guerrilla bands have not been able to arouse much active support—either in the countryside or among the urban masses. They are significant because their terrorist activities can keep the administration under heavy pressure from the military and the right, and might eventually provoke another direct military assumption of power.

B. The Economy

19. Guatemala has fewer urgent economic problems than most other Latin American countries. Export earnings are still vulnerable to downswings in world coffee and cotton prices, but the quetzal continues to be one of the world's

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most stable currencies. Industrialization is still in its initial stages, and, although Peralta attempted to increase state control over the economy, the private sector is still clearly predominant.⁴ The rate of private investment is thus of great importance in determining the over-all rate of economic growth. During the Ydígoras administration (1958-1963) the combination of political instability, corruption and incompetence at the highest levels of the government, and low world coffee prices discouraged the private sector, and the rate of private investment fell off. As a result, the annual rate of increase in GNP ran at about three percent, approximately the same as the annual rate of increase in population.

20. With the removal of Ydígoras, greater political stability, more efficient and honest administration, and a more stable world coffee situation combined to restore confidence. In 1963 and 1964, GNP increased at annual rates of about eight and ten percent, respectively, on the basis of substantial increases in foreign trade, bank credit, investment, and manufacturing output. In 1965, however, the rate of over-all economic growth fell back, to about seven percent. This was due partly to the private sector's increasing concern with the coming election and partly to a slowing down in the rate of exports, a growing trade deficit, and an increasing scarcity of credit.

21. The economy has gradually developed somewhat greater flexibility through increased production for export of cotton, sugar, and beef; this has lessened the traditional dependence upon coffee and bananas. Industrialization has proceeded far enough to provide certain types of consumer goods for the domestic market and some export to the Central American Common Market (CACM). While per capita income for 1965 rose to \$315, about equal to the average for Central America, the Peralta government made little progress on Guatemala's basic socio-economic problems—unemployment coupled with shortages of skilled labor, a high rate of illiteracy, and limited economic and social mobility. Although the relatively isolated *Indio* society has not been much concerned, lower class *Ladino* dissatisfaction contributed heavily to the PR victories in the 6 March elections.

22. A continuing problem is the short supply of trained personnel for the upper levels of government and private industry. As a result, Guatemala has a limited capacity to absorb foreign investment and assistance. At the same time, the extent to which foreign technicians and guidance can be employed is sharply circumscribed by the xenophobic nature of Guatemalan nationalism. Recent decrees issued by the Peralta government, which attempt to funnel the movement of goods and produce via government-operated carriers and ports, have had a discouraging effect upon both domestic and foreign investment, and have generated strong opposition in commercial circles.

⁴ Public sector investment is small, about three percent of GNP, and the national budget is only some ten percent of GNP.

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III. PROSPECTS

A. The First Six Months

23. We are confident that President-elect Méndez will be inaugurated on 1 July. The outgoing Chief of State and Minister of National Defense, Col. Peralta, is committed to honoring the election results. He appears to be able and determined to fulfill that commitment.

24. First order of business for the new President will be to solidify his working relationship with the military and some kind of *modus vivendi* with the right-of-center groups. To accomplish this, Méndez will have to demonstrate convincingly his determination to proceed vigorously against terrorist activities, to preclude a resurgence of extreme leftist influence in Guatemala, and to preserve the traditional prerogatives of the military. At the same time, he will have to focus on the kind of economic measures that will reassure the private sector of the economy. Yet he will need to give some indication of progress on the reforms demanded by his supporters, and he cannot afford to delay this process long.

25. We believe that Méndez probably will make sufficient progress on these matters to maintain himself in power during the next six months or so. Méndez has agreed to make his selection of a new Minister of Defense from a list of three candidates prepared by the armed forces high command. The new administration will probably make an overture to the private sector by repealing the restrictive decrees affecting transportation and port facilities. Over the short run, however, Méndez is not likely to be able to improve significantly the economy's prospects. The adverse credit and balance of trade situations, which have slowed the economy's growth from the rates attained during 1963 and 1964, cannot under the best of circumstances be corrected for at least a year or more.

26. The leaders of the extreme left will probably try to maintain some flexibility over the months to come. The Communists are not likely to give up. Indeed, if Méndez and the military manage to work closely together the Communists will probably continue and may intensify their terrorist activities. They are capable of sporadic hit-and-run attacks and kidnapping, but we do not think that they can maintain such activities at a level high enough to provoke a military coup. On the other hand, some of the PGT and possibly some others on the extreme left probably will try to retain some ties to the PR and other moderate leftists in hope of being able to make common cause with these groups in the event of a military seizure of power.

B. The Longer Run

27. Méndez' survival in office over the longer run will depend on his ability to hold to a narrow and delicate course. On the one hand, he is keenly aware of Guatemala's need for modernization of its institutions and for numerous reforms, political, social, and economic. To retain the support of those who

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elected him will require initiatives and some progress on his part on these fundamental matters. But unless the measures he puts forward are carefully tailored, cautiously presented, and tactfully implemented, any one of them may weaken his administration's political position by dangerously offending the military, or its economic position by shaking the confidence of the private sector. Allaying the apprehensions of the sharply differing interest groups will not be easy on any one proposal or measure of major importance; doing the same successfully over time on a whole series of measures will be difficult in the extreme.

28. Economic problems will present a similar dilemma. World market conditions for coffee and cotton will almost certainly inhibit any significant improvement in Guatemala's export earnings. At the same time, domestic credit probably will continue to be restricted, and direct import controls may be imposed, in order to limit foreign trade imbalances and to conserve foreign exchange reserves. The Méndez government would probably like to expand public investment in infrastructure and in various socially oriented programs. But the present regressive tax system is not suited to provide the necessary funds, and it would be necessary to seek higher taxes on personal incomes, property, and exports, which at present yield only about one-sixth of total tax revenues. Such measures would strike directly at the economic position of powerful agricultural and commercial interests in a fashion to jeopardize Méndez' continuance in office. The outlook for the economy, then, is for moderate growth with GNP increasing, at best, four or five percent annually in 1967 and 1968.

29. Maintaining a positive relationship with the Guatemalan military has always been difficult for civilian political figures. Moreover, certain of Méndez' characteristics can be expected to add to the difficulty. He is a proud and sensitive man who may become restive about sharing his presidential powers de facto with the military leaders. His own political tendencies are liberal and rather legalistic, and there are figures in the military, and the economic elite as well, so conditioned by the Communist surge to power in the early 1950's that they may overreact to an appointment or a policy move by the administration which they interpret as favorable to the far left. However, Méndez has shown good judgment and flexibility in dealing with the problems which he has thus far confronted.

30. Considering all these difficulties we are not confident that Méndez will survive in office through the next two years. His chances of holding on to power would be maximized by a realignment of political forces from which the PR emerged as a centrist movement with a moderate reform program which the military and enlightened right would tolerate. Even under these circumstances his administration's chances for accomplishing much on either reform or significant economic growth and the development will depend heavily upon whether it accepts substantial outside assistance—with its attendant obligations—and uses it effectively.

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31. If Méndez should be removed from office, it would probably be by military coup. The most likely successor would be a military regime which described itself as a "caretaker" and promised new elections at some time in the future. Depending on the events which precipitated such a coup and on the speed and skill with which it was carried out, elements of the PR might take to the streets in opposition. This danger would be greater in the event of a split in the military. Under these circumstances, Communists and other leftists would make common cause with the PR activists and a dangerous insurrectionary situation could result. Even if violence were avoided and the military assumption of power were neat and quick, the extreme left would probably gain adherents among erstwhile moderates of the PR.

32. We believe that Méndez or any likely successor will continue Guatemala's past record of cooperation with the US on nearly all important world and hemispheric issues. He has already made constructive overtures to US officials and his administration will almost certainly be more accessible than Peralta's was. Nevertheless, relations with the US probably will continue to be affected by the intensely nationalistic attitudes of the country's political and economic groups.

33. Méndez may prove to be somewhat more flexible than his predecessors on the problem of British Honduras, which Guatemala claims as its own territory.⁵ He already has indicated that he will not continue the past policy of delaying payment on Guatemala's sterling debt as a means of applying leverage on the UK for a settlement of the territorial dispute. If the debt is paid, the UK probably would relax its past policy of not approving any assistance for Guatemala from the International Bank for Reconstruction and Development.

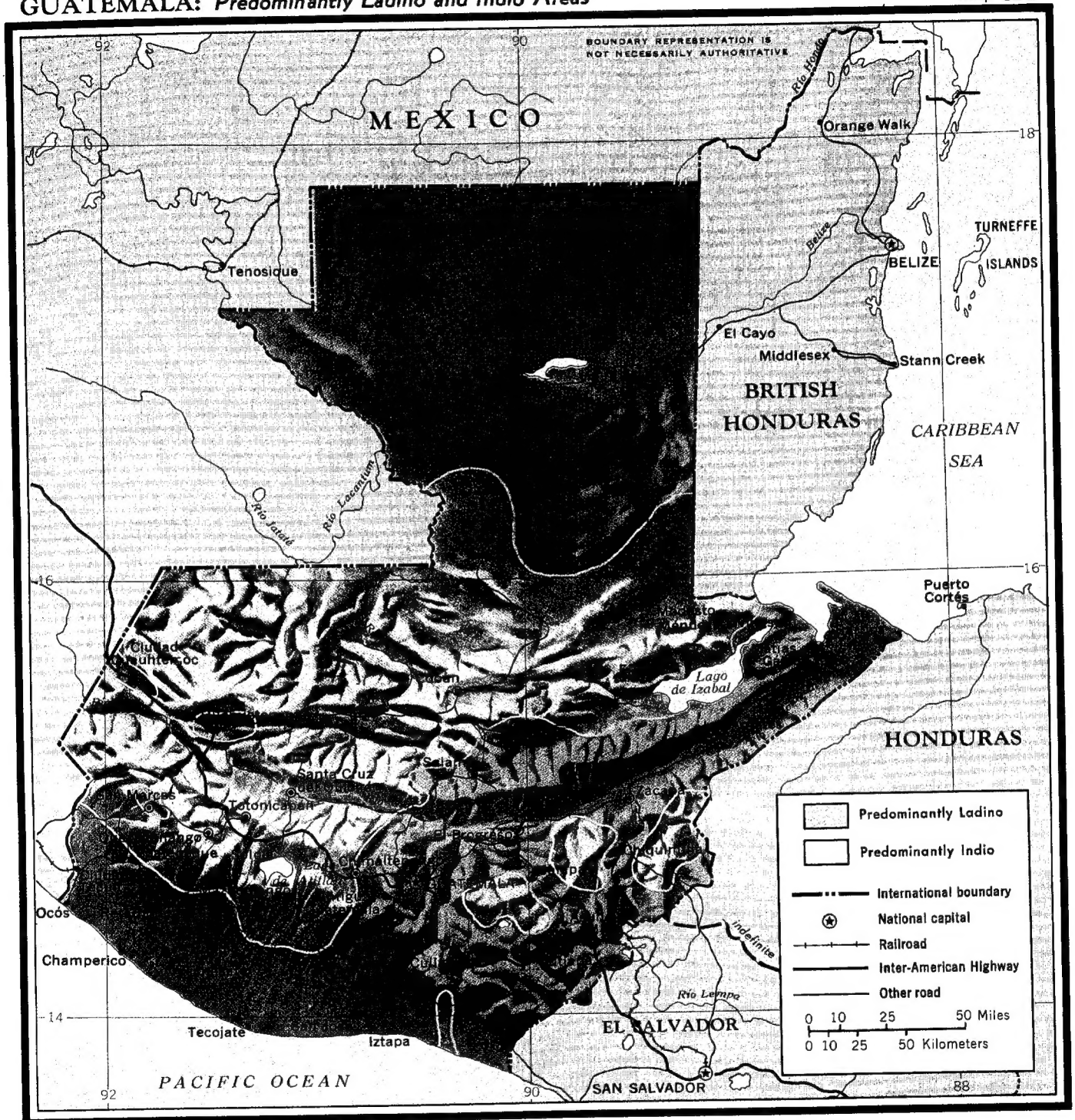
34. Méndez probably will make few significant changes in Guatemala's relations with its other neighbors. He has indicated his intention to maintain Guatemala's active role in the Central American Common Market. Relations with Mexico are likely to remain cool, reflecting differences over boundary and fisheries disputes, Guatemalan Communist exiles in Mexico, and Mexico's continued maintenance of diplomatic relations with Cuba. As for Cuba, neither Méndez nor any successor government would be likely to change its predecessors' policy of opposing the Castro regime.

⁵ This Guatemalan claim goes back more than a century and negotiations between Guatemala and the UK have been unsuccessful in the past. The issue has recently been submitted to a US mediator. It has considerable propaganda value for a Guatemalan administration seeking popular support and diversion of public attention from domestic troubles.

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GUATEMALA: Predominantly Ladino and Indio Areas

Map 82-2



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